

PART ONE

ITEM 09

To: Joint Audit Committee
Date: 16th December 2014
By: Paul Grady, Grant Thornton
Title: External Audit Annual Audit Letter

Purpose of Report/Issue:

To present to the Committee the 2013/14 Annual Audit Letter. The Annual Audit Letter pulls together the key messages from external audit work in 2013/14.

Recommendations

The Committee is asked to consider, comment and note the Annual Audit Letter.

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The Annual Audit Letter for the Police and Crime Commissioner for Surrey and the Chief Constable for Surrey

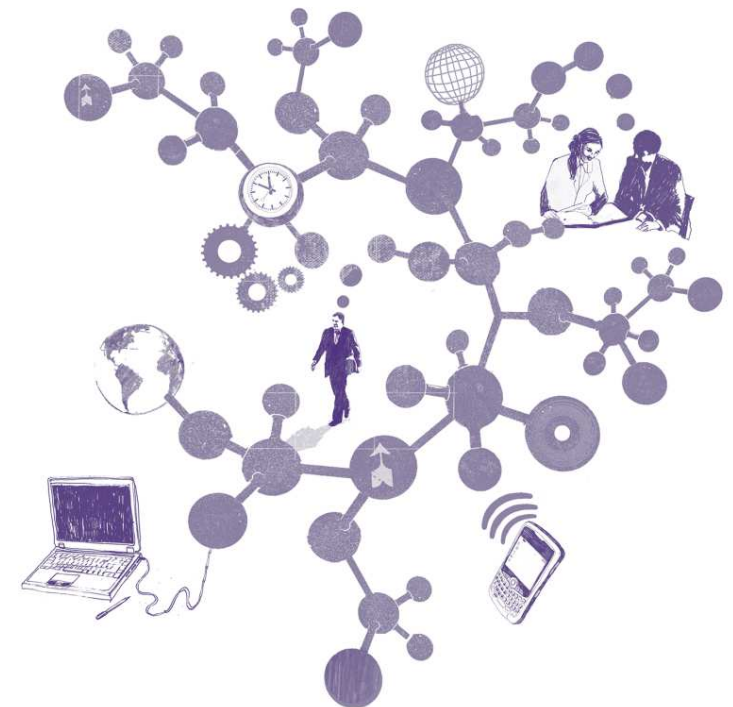
Year ended 31 March 2014

October 2014

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Contents

Section	Page
1. Key messages	3
Appendices	
A Key issues and recommendations	5
B: Action plan – Value for Money	6
C Summary of reports and audit fees	7

Key messages

Purpose of this letter

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the Police and Crime Commissioner ("PCC") for Surrey and the Chief Constable ("Chief Constable") for Surrey for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the PCC, Chief Constable and external stakeholders, including members of the public

Responsibilities of the external auditors, the PCC and the Chief Constable

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.auditcommission.gov.uk).

The PCC and Chief Constable are each responsible for preparing and publishing their own accounts, with each set of accounts accompanied by a separate Annual Governance Statement. They are also each responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources (Value for Money) in their respective organisations.

Our annual work programme for each body, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the joint Audit Plan that we issued on 12 June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Key messages

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our joint Audit Findings Report. The key messages reported were:</p> <ul style="list-style-type: none"> • The accounts for both organisations were well presented and supported by appropriate working papers. As was the case in the previous year, the accounts were compliant with accounting requirements for the police sector, and compliant with the clarifications in respect of accounting treatment issued by CIPFA and the Audit Commission in their briefing papers to practitioners and auditors. • We agreed a number of amendments to both sets of financial statements. One material amendment, relating to intra-group funding, was identified by the finance team prior to submitting the financial statements for audit and adjusted following discussions with the audit team. • In addition, a number of disclosure changes to both the PCC's and Chief Constable's accounts were identified. This included, for the PCC, the addition of a note on the Usable Capital Receipts Reserve. • We also identified some areas for improvement in internal controls which we have discussed with the finance team and they have agreed to action. More detail can be found in the action plan at Appendix A. <p>We issued unqualified opinions on the PCC's 2013/14 financial statements on 30 September 2014 and the Chief Constable's 2013/14 financial statements on 30 September 2014, meeting the national deadline. Our opinions confirm that the financial statements for each organisation give a true and fair view of the respective financial positions and of the income and expenditure recorded by both organisations.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for the PCC for 2013/14 on 30 September 2014 and an unqualified VfM conclusion for the Chief Constable for 2013/14 on 30 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC and the Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2014.</p> <p>As part of our work we reviewed the progress the PCC and Chief Constable have made in implementing the recommendations we raised in our report in the public interest on the termination of the SIREN ICT project. Progress was as expected in the timeframe that has passed since we issued our report. We have raised recommendations to further support the implementation process and these are set out in Appendix B.</p>
<p>Whole of Government Accounts</p>	<p>As the PCC's group falls below the threshold set by the National Audit Office, we are only required to carry out limited work on the consolidation pack which the PCC prepared to support the production of Whole of Government Accounts. We confirmed on 3 October 2014 that a review was not required and that the balances of property, plant and equipment and pension liabilities in the pack were consistent with the audited financial statements.</p>

Appendix A: Key issues and recommendations

Priority

High - significant effect on control system

Medium – effect on control system

Low – best practice

No.	Issue and recommendation	Relates to PCC / Chief Constable / both?	Priority	Management response/ responsible office/ due date
1.	<p>No formal or documented reconciliation process occurring between the payroll system and the ledger</p> <p>Recommendation: Formally document and review payroll reconciliations. Record and follow up actions taken to resolve differences on a timely basis.</p>	Chief Constable	Medium	<p>The payroll file will be formally checked and authorised by a senior member of the Financial Accounting Team on a monthly basis.</p> <p>The checks currently controlling this process are:</p> <ul style="list-style-type: none"> • The payroll journal can only be loaded if the total value matches the payroll data and BACS export file. • All balance sheet codes relating to payroll are reconciled on a timely basis. • Revenue spend is reported to budget holders on a monthly basis <p>Any coding differences are emailed to payroll. For audit purposes this will be noted in the payroll file.</p> <p>Responsible officer: Financial Accounting Manager Due date: November 2014</p>
2.	<p>Review of the Equiniti annual return identified a discrepancy with the value of commutation payments made in the year.</p> <p>Recommendation: It is recommended that the PCC undertakes a quarterly reconciliation on the information it receives from Equiniti for accuracy.</p>	PCC	Medium	<p>The Financial Accounting Team have been working with Equiniti to improve the reporting process. Quarterly reconciliations will be carried out as recommended.</p> <p>Responsible officer: Financial Accounting Manager Due date: December 2014</p>

Appendix B: Action plan – Follow up of SIREN recommendations, Niche implementation and collaboration with Sussex Police

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Ensure there is regular (monthly) review and progression of the actions to ensure they are implemented, measured and assessed in delivering the anticipated outcomes.	M	The actions will be overseen by the Joint Audit Committee and follow up audits by Grant Thornton and Baker Tilley. The Force has already established a group to review and update progress on a monthly basis.	On track – monthly Jane Harwood ACO Support Services.
2.	Identify and suitably train SROs and Senior Users to ensure they are able to specify and understand their information need, challenge and contribute to the continuous improvement of the Project Management Arrangements.	M	This forms part of the training being planned for SROs which will be delivered before year end.	December 2014 Jane Harwood ACO Support Services.
3.	Seek professional affiliation for both the Surrey and Sussex forces e.g. with the Association of Project Management (APM) and encourage staff in this field to register and participate in learning events.	M	The force will research and assess the cost/benefit of this recommendation before committing by year end.	Interim review December 2014 Jane Harwood ACO Support Services.
4.	As soon as practicable reduce the number of active projects against an agreed set of criteria which contribute to the overall future vision for the two forces.	M	The force is actively reviewing the number of projects in progress and will develop the criteria through the Target Operating Model work.	Reviewed 6 weekly at DCC Board Jane Harwood ACO Support Services.
5.	Carry out a further audit of the Project Management Office in 6 months' time.	L		Agreed – 6 months April 2015 Jane Harwood ACO Support Services.

Appendix C: Reports issued and fees

We confirm below the fee charged for both audits.

Fees

	Per Audit plan £	Actual fees £
Audit Fee – PCC	51,610	51,610
Audit Fee – Chief Constable	20,000	34,000
Total fees	71,610	85,610

The additional fee in respect of the Chief Constable's audit reflects the additional work undertaken in response to the issues identified in our previous report in the public interest in respect of the termination of the SIREN ICT project. This work was necessary to enable us to form a view in respect of the VFM conclusion for 2013/14. All fees are subject to determination by the Audit Commission in accordance with its statutory responsibilities.

Reports issued

Report	Date issued
Joint Audit Plan	12 June 2014
Joint Audit Findings Report	30 September 2014
Public Interest Report – Termination of the SIREN ICT project	19 June 2014
Joint Annual Audit Letter	October 2014

Fees for other services

Service	Fees £
None	Nil



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